



**EUROPEAN COMMISSION**  
Information Society and Media Directorate-General

General Affairs  
External audits  
The Head of Unit

Brussels, 4. 06. 2012  
INFSO-S.5/FD/Isd D(2012)

**REGISTERED MAIL**

**Subject: Financial audit of  
Audit ID n°**

Dear Sirs,

I hereby inform you that the European Commission has decided to carry out a financial audit on the financial statements presented by your organisation relating to the contracts detailed below. As you are aware, the possibility of such audits is foreseen in accordance with Article II.17 of the general conditions of the eTEN grant agreements.

The relevant grant agreements to be audited are:

The European Commission has appointed Littlejohn LLP to co-ordinate and conduct the audit assignment on its behalf and hence they are to be regarded as the authorised representative of the European Commission for the duration of this assignment, as foreseen under the contracts. Littlejohn LLP may be accompanied by Commission officials who shall conduct part of the audit assignment.

The involvement and allocation of work to the Commission officials will be confirmed prior to commencement of fieldwork.

**Within one calendar week of receipt of this letter, you are requested to provide**  
of Littlejohn LLP, the  
details of the relevant contact person within your organization for the completion of the assignment – including her/his full name, E-mail, phone number and fax number.

Commission européenne, B-1049 Bruxelles / Europese Commissie, B-1049 Brussel - Belgium. Telephone: (32-2) 299 11 11.  
Office: BU25 6/118. Telephone: direct line (32-2) 295 98 05. Fax: (32-2) 292 01 25.

E-mail: [freddy.dezeure@ec.europa.eu](mailto:freddy.dezeure@ec.europa.eu)

Either \_\_\_\_\_, or a member of his staff, will then subsequently contact you in due course to confirm the start date for the audit, its likely duration and all necessary planning and documentation issues.

According to Article II.17 of the eTEN grant agreements, you are required to ensure that any representative of the Commission has access to all the information and data needed to carry out the audit.

Therefore, attached as Annex I, please find instructions and a detailed list of documents, which needs to be presented to Littlejohn LLP. For the timely implementation of the audit it is crucial that these documents are duly prepared prior to the beginning of the on-site audit by Littlejohn LLP.

Please enable Littlejohn LLP to start with their audit fieldwork within 20 calendar days after receipt of this letter, unless the Littlejohn LLP auditors agree with you on a later date.

It would be helpful if arrangements could be made for the appropriate finance and other officers who deal with costing, accounting, internal control and recording systems, in particular in relation to the Commission contracts, to be available for the duration of the audit.

Please note that the final results of the audit will be distributed to the relevant Commission services in order for these to make the necessary adjustments to the costs claimed. These adjustments, if in favour of the Commission, could affect future payments due on this grant agreement, or result in the issuance of a recovery order for all amounts overpaid. We draw your specific attention to the following: any financial audit finding in the audit report, once finalised, may lead, if appropriate, to extrapolation of such finding to any other grant agreement in which you are or have been participating. To this end, you may be requested to provide us with additional information on any of these grant agreements. We also draw to your attention that according to Article II.18 of the eTEN Model Grant Agreement financial penalties may be applied if beneficiaries are declared to be in grave breach of its contractual obligations..

If you should have any questions concerning the nature, probable timing or any other matter relating to the audit, please contact directly Mr. Julian Rummins.

Yours sincerely,

Freddy DEZEURE

Copies:

Enclosures:      Annex 1: Required supporting documents during the audit  
                         Annex 2: Privacy Statement



EUROPEAN COMMISSION  
Information Society and Media Directorate-General  
General Affairs  
External Audit

## LIST OF INFORMATION TO BE ASKED FROM THE AUDITED ORGANISATION/ ANNEX TO LETTER OF ANNOUNCEMENT

As referred to in our letter of announcement, the European Commission has decided to carry out a financial audit on specific financial statements presented by your organisation.

The primary objective of a financial audit is to verify that the costs declared to the Commission are in compliance with the financial provisions as defined in each specific grant agreement and, more specifically, are in line with the eligibility requirements set out in articles II.14 and II.15 of the FP7 grant agreement.

According to article II.22 of the FP7 grant agreement, it is the beneficiary's responsibility to make available all detailed information and data that may be requested with a view to verifying that the grant agreement is properly managed and performed in accordance with its provisions and that costs have been charged in compliance with it. In this sense, beneficiaries are requested to ensure that all documentation requested is readily available at the time of the audit. **Failure to do so may imply that the audit concludes with a limitation in the audit team's assurance on the regularity of the management of the grant agreement.**

You are therefore requested to prepare copies of the relevant supporting documents listed below prior to the start of the audit fieldwork in your premises. As regards the specific cost categories, the request should be adapted to the particular categories used by you in line with the contractual requirements. Documentation with the comment "no copy required" should be available for verification only. Copies might be requested during the audit when necessary. Documents marked in the column "**To be sent to the auditor prior to the mission on-the-spot**" should be sent in a digital format to the auditor before the fieldwork in order to enable the auditor to prepare the audit in the most efficient manner.

Thank you for taking the time to complete this activity.

| Supporting documentation                            |   | To be sent to the auditor prior to the mission on-the-spot | Obtained? |
|---|---|--|-----------|
| <b>I. General Information about the Beneficiary</b> |   |  |           |
| 1.  | Beneficiary's legal registration (such as trade register abstract)  | Y  |           |
| 2.  | Organisation chart with list of key officers  | Y  |           |
| 3.  | Financial statements of the last three financial years together with the statutory auditors' report (if applicable) | Y  |           |
| 4.  | Beneficiary's accounting policies   | Y  |           |

|  |   |   |  |
|--|---|---|--|
|  | 5. Description of cost/profit centre structure (with an indication where the action is carried out)   | Y |  |
|  | 6. List of personnel associated to the cost/profit centres (where the RTD action is carried out) as referred to in point 5  | Y |  |
|  | 7. Beneficiary's guidelines/procedures for the financial / scientific management of EC Research grant agreements (if available)   | Y |  |
|  | 8. List of all other EC fundings received and all grant agreements (both closed and in progress) signed with the Commission (from 1/01/2007 till today)                               | Y |  |
|  | 9. List of ICT systems used to manage the projects  | Y |  |
|  | 10. List of Authorized signatures   | Y |  |
|  |   |   |  |
| <b>II. Receipt and distribution of Commission financial contribution</b> |   |   |  |
|  | 1. Bank statements showing amount and date of advance and/or interim and/or final payments received (from Commission or co-ordinator)   | Y |  |
|  | 2. <i>Only for co-ordinator:</i><br>Bank statements showing the interest yielded by the European Union funds or the calculation of the interest yielded by the European Union funds   | N |  |
|  | 3. <i>Only for co-ordinator:</i><br>Table or report on the distribution of the European Union financial contribution  | N |  |
|  | 4. <i>Only for co-ordinator:</i><br>Beneficiary's bank statement showing amount and date of advance and/or interim and/or final payments forwarded to other members of the consortium | N |  |
|  |   |   |  |
| <b>III. Project management information</b>                               |   |   |  |
|  | 1. Periodic activity and management reports – <u>no copy required</u>   |   |  |
|  | 2. Periodic review reports – <u>no copy required</u>  |   |  |
|  |   |   |  |

| IV. General financial documents             |  |   |  |
|---|--|---|--|
|   | 1. Detailed breakdown of costs supporting the Financial Statements (Form C) submitted to the Commission, specifying the type of activity to which they relate to and, where applicable, the resources provided by a third party – ( <b>Note:</b> this breakdown should include the relevant accounting codes/reference numbers to allow for reconciliation between the financial statements sent to the Commission and the beneficiary's financial records as extracted from the accounting system. Should the beneficiary identify an eventual discrepancy between the amounts declared and supported, the breakdown to be provided should identify the elements motivating the difference) | Y |  |
|   | 2. General ledger as extracted from the accounting system to be used for reconciliation purposes as referred to in point 1.  | Y |  |
|   | 3. Breakdown of receipts of the project (where applicable) as defined in article II.17 of the grant agreement  | Y |  |
|   | 4. For third party resources as identified in Annex I to the grant agreement ( <u>where applicable</u> ), the agreement established between the beneficiary and the third party prior to its contribution to the project   | Y |  |
|   | 5. Bank statements showing amount and date of bank transfer/payment receipts for all costs – <u>no copy required</u>   |   |  |
| V. Supporting documents for personnel costs |  |   |  |
|   | 1. Beneficiary's internal guidelines/procedures for time recording follow-up (if available)  | Y |  |
|   | 2. Breakdown of personnel costs claimed in the financial statements by individual, indicating the number of hours charged as well as the hourly rate   | Y |  |
|   | 3. Employment contracts for all (permanent and temporary) project personnel – <u>no copy required</u>  | N |  |
|   | 4. Payroll/Salary slips for all project personnel (whole period of project duration) – <u>no copy required</u>   | N |  |
|   | 5. Calculation of related charges (social charges such as pension, sickness, unemployment, etc.) according to national legislation – <u>no copy required</u>   | Y |  |
|   | 6. Calculation of hourly rates (i.e. gross remuneration plus related charges) for all personnel categories/project personnel – <u>no copy required</u>   | N |  |

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|--|--|---|--|
|  | 7. Certified time records (or any other control document directly attributing personnel costs to the audit project) for all project personnel involved in the action – <u>no copy required</u>   | Y |  |
|  | 8. (Standard) Productive hours calculation (if applicable)   | Y |  |
|  | <p>9. <u>In case you claim average personnel costs</u>, please provide a description of the methodology together with the reconciliation between the average personnel cost and the statutory accounts.</p> <p>Please provide all the necessary supporting elements to substantiate the claimed personnel costs (components of personnel costs taken into consideration in the average personnel rates, calculation method, justification of productive hours taken into consideration to calculate the average personnel rates, evidence that the applied methodology corresponds to your usual accounting and management practice. This list is non-exhaustive and may vary according to the applied methodology).</p> | Y |  |
|  |  |   |  |
| <b>VI. Supporting documents for durable equipment</b>                              |  |   |  |
|  | 1. Beneficiary's internal guidelines/procedures for procurement of durable equipment (if available)  | Y |  |
|  | 2. Beneficiary's valuation rules for accounting treatment of durable equipment   | Y |  |
|  | 3. List of all acquisitions and retirements of durable equipment per period. – <u>no copy required</u>   | Y |  |
|  | 4. Purchase orders and delivery notes for durable equipment – <u>no copy required</u>  | N |  |
|  | 5. Original invoices for purchase of equipment– <u>no copy required</u>  | N |  |
|  | 6. Inventory register or fixed asset register/ledger for the durable equipment related to the project – <u>no copy required</u>  | Y |  |
|  | 7. Depreciation table showing the gross book value of the durable equipment, the additions and retirements, the depreciation rate and the depreciation charge per period – <u>no copy required</u>   | Y |  |
|  | 8. In case of rented equipment: rental contract, inventory list of rented equipment, and calculation of leasing and/or rental charges – <u>no copy required</u>  | N |  |
|  | 9. Equipment's usage diary/register (for equipment used by different projects) – <u>no copy required</u>   | N |  |
| <b>Note:</b> the existence and use for the project may be checked during the visit |  |   |  |

|   |   |  |
|---|---|--|
|   |   |  |
| <b>VII. Supporting documents for subcontracting</b>   |   |  |
| 1. Beneficiary's internal guidelines/procedures for procurement of services (where applicable) - <u>no copy required</u>                          | Y |  |
| 2. Description of services provided by subcontractors and/or third party resources in the context of the funded action. – <u>no copy required</u> | Y |  |
| 3. Signed original copies of agreements with subcontractors and/or third party resources (including technical annexes) – <u>no copy required</u>  | Y |  |
| 4. Request and Commission approval of subcontracting (where required) – <u>no copy required</u>   | Y |  |
| 5. Original invoices for external assistance – <u>no copy required</u>  | N |  |
| 6. Evidence of delivery or services provided – <u>no copy required</u>  | N |  |
|   |   |  |
| <b>VIII. Supporting documents for travel and subsistence</b>  |   |  |
| 1. Beneficiary's internal guidelines/procedures for reimbursement of travel expenses (where applicable) – <u>no copy required</u>                 | Y |  |
| 2. List and dates of trips by project personnel – <u>no copy required</u>   | Y |  |
| 3. Authorised travel request forms, if applicable – <u>no copy required</u>   | N |  |
| 4. Original invoices for travel and accommodation expenses – <u>no copy required</u>  | N |  |
|   |   |  |
| <b>IX. Supporting documents for consumables</b>   |   |  |
| 1. Beneficiary's internal guidelines/procedures for procurement of consumables (where applicable) - <u>no copy required</u>                       | Y |  |
| 2. Purchase orders and delivery notes for consumables – <u>no copy required</u>   | N |  |
| 3. Original invoices for purchase of consumables– <u>no copy required</u>   | N |  |
| 4. Inventory register/ledger (where applicable) – <u>no copy required</u>   | N |  |
|   |   |  |
| <b>X. Supporting documents for indirect costs</b>   |   |  |

|   |   |   |  |
|---|---|---|--|
|   | 1. Description of the methodology used for the calculation and allocation of indirect costs (where applicable, including analysis of the cost categories included in the overheads)                         | Y |  |
|   | 2. Reconciliation of the overhead costs with the profit & loss accounts (P&L)/general ledger (where applicable)   | Y |  |
|   | 3. Calculation of (cost centre/project/personnel) overhead rates (including, where applicable, an analysis of the productive/non-productive hours on the basis of which indirect costs have been allocated) | Y |  |
|   |   |   |  |
| <b>XI. Certificate on the financial statements and certificate on the methodology</b> |   |   |  |
|   | 1. Original signed certificates – <u>no copy required</u>   | N |  |
|   | 2. Letter of audit engagement/appointment sent to external auditor – <u>no copy required</u>  | Y |  |
|   | 3. External auditor's letter of acceptance/engagement confirmation – <u>no copy required</u>  | N |  |
|   | 4. External auditor's invoice – <u>no copy required</u>   | Y |  |



## PRIVACY STATEMENT

### 1. Context and Controller

As the Commission service collects and further processes personal data in the context of financial audits, it is subject to Regulation (EC) 45/2001 of the European Parliament and of the Council of 18 December 2000 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data.

Audits and Controls cover:

1. Checks performed by Commission services on the implementation of the programme and the provisions of the grant agreements or service contracts.

2. Performance of desk controls and financial audits according to the provisions of the contracts or grant agreements with the EC.

External audits aim at verifying whether the costs declared in the financial statements have been properly incurred and are eligible costs, as defined under the grant agreement or contract between the EC and the beneficiaries or contractors. These external audits are either directly carried out by staff of the EC ("own-resource-audits") or outsourced to external audit firms. During these audits and controls, documents that may contain personal information (such as salary slips, time-recording systems, presence sheets, credit assessment reports, etc) may be collected by the controllers as evidence of the eligibility of claims from the Community budget (such as: claims for co-financing of staff costs, travel expenses etc.). If collected, such information will be processed by the European Commission in the exercise of its duties to ensure the regular use of the Community budget in accordance with the Financial Regulation (Council Regulation (EC, Euratom) N° 1605/2002 of 25 June 2002, as amended) and Implementing Rules (Commission Regulation (EC, Euratom) N° 2342/2002 of 23 December 2002, as amended) applicable to the general budget of the European Communities.

In order to carry out efficient audits and desk controls and to detect anomalies, relevant Commission staff makes use of information available on the Internet (open source data mining). In accordance with international professional audit standards the Directorate-General has developed a multi-approach audit policy which includes a risk-analysis component in view of fraud prevention and stronger detection capabilities.

Processing operations are under the responsibility of the Head of Unit of the External Audit Unit, acting as Controller, of the Directorate General Information Society & Media.

## **2. What personal information do we collect, for what purpose, under which legal bases and through which technical means?**

### **Types of personal data**

Personal data collected and further processed are all relevant data that may be requested by the Commission with a view to verifying that the grant agreement or contract is properly managed and performed in accordance with its provisions. The indicative list of data requested is given in the annex to the letter initiating the audit, without prejudice for the EC services to ask any other relevant information as foreseen under the relevant Art. of the grant agreements or contracts.

### **Purpose**

Controls and audits of grant agreements or service contracts aim at verifying beneficiary's or contractor's or subcontractors' or third parties' compliance with the all contractual provisions (including financial provisions), in view of checking that the action and the provisions of the grant agreement or contract are being properly implemented and in view of assessing the legality and regularity of the transaction underlying the implementation of the Community budget.

### **Legal basis**

The possibility for the European Commission to carry out controls and audits is foreseen in the model grant agreement or model contract, to be signed between the EC and the beneficiary or contractor, as required by the Financial Regulation applicable to the General Budget of the European Communities (art. 170, 60.4), and its Implementing Rules (art. 47.4).

### **Technical means**

For the preparation of audit file and audit selection: use of data already existing in secured applications accessible only to relevant staff.

During the audit procedure, personal data are collected when relevant either by e-mail or on paper or as electronic files and stored in computer systems accessible only to relevant staff. Data are stored until 10 years after the final payment on condition that no contentions occurred; in this case, data will be kept until the end of the last possible legal procedure.

Data collected from open sources including information available from internet sources is kept under the same conditions as described at previous paragraph.

All data are kept under the responsibility of the Controller mentioned in point 1.

### **3. Who has access to your personal data and to whom is it disclosed?**

For the purpose detailed above, access to your personal data is given to the Commission services in charge of ex post controls and audits, without prejudice to a possible transmission to the bodies in charge of a monitoring or inspection task in accordance with Community law (OLAF, Court of Auditor, Ombudsman, EDPS, IDOC, Internal Audit Service of the Commission).

### **4. How do we protect and safeguard your information?**

The collected personal data and all related information are stored after closure of the desk control or audit on the premises of the Commission and on servers of a computer centre of DG Information Society & Media. The Commission premises and operations of all computer centres abide by the Commission's security decisions and provisions established by the Directorate of Security of DG HR.

### **5. How can you verify, modify or delete your information?**

In case you wish to verify which personal data is stored on your behalf by the responsible Controller, have it modified, corrected, or deleted, please make use of the contact information mentioned below, by explicitly describing your request.

### **6. How long do we keep your personal data?**

Data are stored until 10 years after the final payment on condition that no contentions occurred; in this case, data will be kept until the end of the last possible legal procedure.

### **7. Contact information**

For any questions related to your rights, feel free to contact the Controller, by using the following contact information, and by explicitly specifying your request:

[INFSO-02@ec.europa.eu](mailto:INFSO-02@ec.europa.eu)

### **8. Recourse**

In case of conflict, complaints can be addressed to the European Data Protection Supervisor (EDPS).